

SENATE, No. 981

STATE OF NEW JERSEY
219th LEGISLATURE

INTRODUCED JANUARY 30, 2020

Sponsored by:
Senator TROY SINGLETON
District 7 (Burlington)

SYNOPSIS

Provides refundable gross income tax credit for early principal payments on certain home mortgages.

CURRENT VERSION OF TEXT

As introduced.



1 AN ACT providing a credit under the New Jersey gross income tax
2 for early payments of principal on certain home mortgages,
3 supplementing Title 54A of the New Jersey Statutes.

4
5 **BE IT ENACTED** *by the Senate and General Assembly of the State*
6 *of New Jersey:*

7
8 1. a. A taxpayer shall be allowed a credit against the tax
9 otherwise due for the taxable year under the "New Jersey Gross
10 Income Tax Act," N.J.S.54A:1-1 et seq., in an amount equal to 50
11 percent of the excess home mortgage principal payments made
12 during the taxable year on the taxpayer's principal residence in this
13 State, which credit amount shall not exceed \$1,000 for a taxable
14 year.

15 b. As used in this section:

16 "Acquisition indebtedness" means indebtedness which is
17 incurred in acquiring, constructing, or substantially improving the
18 principal residence of the taxpayer that is secured by that residence;
19 and shall include indebtedness secured by that residence resulting
20 from the refinancing of indebtedness that was incurred in acquiring,
21 constructing, or substantially improving the principal residence of
22 the taxpayer; but only to the extent the amount of the indebtedness
23 resulting from the refinancing does not exceed the amount of the
24 refinanced indebtedness.

25 "Excess home mortgage principal payments" means, with respect
26 to qualified home mortgage indebtedness for any taxable year, the
27 excess of

28 (1) the aggregate amount of principal paid by the taxpayer with
29 respect to such indebtedness during the taxable year, over

30 (2) the aggregate amount of principal which would have been
31 paid by the taxpayer with respect to such indebtedness during such
32 taxable year if the taxpayer had timely made each required payment
33 under the terms of the indebtedness during such taxable year (and
34 no other payments);

35 "Homestead" has the same meaning as "homestead" as defined
36 in section 2 of P.L.1996, c.60 (C.54A:3A-16);

37 "Principal residence" means a homestead actually and
38 continually occupied by a taxpayer as the taxpayer's permanent
39 residence, as distinguished from a vacation home, property owned
40 and rented or offered for rent by the taxpayer, and other secondary
41 real property holdings.

42 "Qualified home mortgage indebtedness" means acquisition
43 indebtedness if

44 (1) the residence with respect to such acquisition indebtedness is
45 the primary residence of the taxpayer, and

46 (2) the indebtedness constitutes a traditional mortgage.

47 "Traditional mortgage" means indebtedness

48 (1) the term of which is not less than 15 years and not more than
49 30 years, and

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1 (2) the required payments under which are each the same
2 amount and made in equal intervals during the term of the
3 indebtedness (or if any payment is required at a different interval,
4 the amount of such payment is adjusted in the same proportion as
5 the change in interval).

6 c. The amount of the credit allowed pursuant to this section
7 shall be applied against the tax otherwise due under N.J.S.54A:1-1
8 et seq., after all other credits and payments. If the credit exceeds
9 the amount of tax otherwise due, that amount of excess shall be an
10 overpayment for the purposes of N.J.S.54A:9-7; provided however,
11 that subsection (f) of N.J.S.54A:9-7 shall not apply.

12 d. Notwithstanding the annual maximum credit amount of
13 \$1,000 provided for in subsection a. of this section for a taxable
14 year:

15 (1) a taxpayer who files for gross income tax purposes as an
16 unmarried individual, who has more than \$125,000 of taxable
17 income for the taxable year, before the allowance of any
18 exemptions, deductions, credits, or exclusions, but not exceeding
19 \$135,000 for the taxable year, before the allowance of any
20 exemptions, deductions, credits, or exclusions shall determine the
21 taxpayer's annual maximum credit amount allowed pursuant to
22 subsection a. of this section by reducing that amount by 10 percent
23 for each \$1,000 of taxable income exceeding \$125,000, but not
24 exceeding \$135,000; and

25 (2) taxpayers who file for gross income tax purposes as married
26 individuals filing a joint return, who have more than \$250,000 of
27 taxable income for the taxable year, before the allowance of any
28 exemptions, deductions, credits, or exclusions, but not exceeding
29 \$270,000 for the taxable year, before the allowance of any
30 exemptions, deductions, credits, or exclusions shall determine the
31 taxpayer's annual maximum credit amount allowed pursuant to
32 subsection a. of this section by reducing that amount by 20 percent
33 for each \$2,000 of taxable income exceeding \$250,000, but not
34 exceeding \$270,000.

35 e. Married individuals filing separately for gross income tax
36 purposes for a taxable year shall not be allowed a credit pursuant to
37 this section.

38 f. No taxpayer shall be allowed a credit pursuant to this section
39 after the taxpayer, including as a married individual filing a joint
40 return, has been allowed a credit pursuant to this section for any ten
41 preceding taxable years.

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43 2. Notwithstanding any provision of P.L.1968, c.410
44 (C.52:14B-1 et seq.) to the contrary, the Director of the Division of
45 Taxation, Department of the Treasury, may adopt immediately upon
46 filing with the Office of Administrative Law such regulations as the
47 director deems necessary to implement the provisions of this act,
48 which shall be effective for a period not to exceed 360 days
49 following enactment of P.L. , c. (C.) (pending before the

1 Legislature as this bill) and may thereafter be amended, adopted or
2 readopted by the director in accordance with the requirements of
3 P.L.1968, c.410. The regulations may include directions for
4 persons engaged in a trade or business who receive from any
5 individual interest aggregating \$600 or more for any calendar year
6 on any mortgage, who are required by law to report to the Secretary
7 of the Treasury, and to provide to mortgagors, through information
8 returns, mortgage interest payments from individuals, to include on
9 the information returns and provide to mortgagors the amount of
10 excess home mortgage principal payments received for any calendar
11 year.

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13 3. This act shall take effect immediately and shall apply to
14 taxable years beginning on or after January 1 next following the
15 date of enactment.

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STATEMENT

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20 This bill provides for a refundable gross income tax credit for
21 50% of early home mortgage principal payments that taxpayers
22 make in addition to their required monthly mortgage payments.
23 Extra payments made in addition to home mortgage required
24 monthly payments are required to be credited as a payment on the
25 principal amount of the mortgage loan amount. The annual
26 refundable tax credit is allowed up to \$1,000 per year and can be
27 claimed for up to 10 taxable years. This bill is modeled on federal
28 legislation referred to as the Building Equity for the American
29 Middle-Class Act (BEAM Act) that will encourage families to build
30 equity in their home, pay down their home mortgage more quickly,
31 thus creating more wealth while securing the American dream of
32 homeownership. This bill will provide a gross income tax break
33 that rewards middle class families that chose to more quickly pay
34 down the principal amounts of their home mortgages.

35 Mortgages eligible for this tax credit are purchase money
36 mortgages or refinanced purchase money mortgages that must: (1)
37 be for a primary residence, (2) be for a term between 15 and 30
38 years, and (3) require payments that are each the same amount and
39 made in equal intervals during the term of the mortgage. The
40 \$1,000 limit on the amount of the credit phases down for single
41 taxpayers who have taxable income between \$125,000 and
42 \$135,000 and for married individuals filing jointly who have
43 taxable income between \$250,000 and \$270,000. No credit is
44 allowed for single taxpayers with taxable income over \$135,000 and
45 for married individuals filing jointly with taxable income over
46 \$270,000. Married individuals must file a joint return to claim the
47 credit.